

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 L-03 PA-01 PRS-01 SP-02

USIA-06 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 INR-07 NSAE-00 XMB-02

COME-00 /091 W

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R 311417Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6576

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EFIN, EG

SUBJ: PRESIDENT SIGNS FOREIGN EXCHANGE BILL INTO LAW

REF (A) CAIRO 9457, (B) CAIRO 9544, (C) CAIRO 7250,  
(D) CAIRO 8190,

1. ALL PAPERS CARRY REPORT AUG 30 OF PRESIDENTIAL SIGNATURE  
ON NEW FOREIGN EXCHANGE LAW. LAW TO BE RETROACTIVE TO AUG 15.  
IMPORTANT EXECUTIVE REGULATIONS, WHICH IN EFFECT DESCRIBE  
HOW LAW WILL OPERATE WILL BE ISSUED WITHIN THREE MONTHS.  
FOLLOWING ARE PROVISIONS OF THE LAW AS DESCRIBED IN PRESS.  
WE ATTEMPTING OBTAIN ACTUAL TEXT FOR TRANSLATION AND SUBMISS-  
ION TO DEPT.

2. ACCORDING PRESS, LAW PERMITS ALL EGYPTIAN CITIZENS AND CORP-  
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ORATIONS TO POSSESS CONVERTIBLE CURRENCIES DERIVED FROM

ANY SOURCE OTHER THAN COMMODITY EXPORTS AND TOURISM (E.G. REMITTANCES). INDIVIDUALS AND CORPORATIONS MAY BRING FOREIGN CURRENCY INTO EGYPT EITHER IN THEIR POSSESSION OR THROUGH BANKING TRANSACTIONS. THEY MAY ALSO EXPORT SAME CURRENCY PROVIDED THEY CAN PROVE IT WAS IMPORTED LEGALLY. EXPORTERS ARE STILL BOUND BY LAW TO REPATRIATE VALUE OF THEIR EXPORTS WITHIN 3 MONTHS. HOWEVER, ACCORDING TO PRESS REPORTS, THIS PERIOD MAY BE EXTENDED OR RENEWED. EXPORT AND IMPORT OF PRECIOUS METALS "CASTINGS" AND PRECIOUS STONES WILL BE SUBJECT OF SPECIAL REGULATIONS TO BE ISSUED AT LATER DATE; THUS INDICATING THAT WHOLESALE IMPORT OR EXPORT OF GOLD WILL NOT BE PERMITTED. BANKS ARE REQUIRED TO SUBMIT STATEMENT OF THEIR FOREIGN EXCHANGE OPERATIONS TO MIN OF FINANCE AND CENTRAL BANK PERIODICALLY.

3. COMMENT. AS ADDRESSEES AWARE, PROMULGATION OF FOREIGN EXCHANGE LAW IS SOMETHING OF A MILESTONE IN RECENT EGYPTIAN ECONOMIC HISTORY AND LAYS GROUNDWORK AT LEAST FOR FURTHER PROGRESS TOWARDS IMPLEMENTATION OF MUCH DISCUSSED COMMERCIAL EXCHANGE MARKET, ITSELF A CORNERSTONE OF THE IMF-SPONSORED ECONOMIC RECOVERY PROGRAM. FOR MANY IT WILL REPRESENT SIGNIFICANT PASSING OF MORE RESTRICTIVE ASPECTS OF NASSER REGIME'S ECONOMIC POLICIES.

4. AT SAME TIME LAW CREATES BROAD NEW CATEGORIES OF RECIPIENTS OF FOREIGN EXCHANGE AND GIVES THEM RIGHT TO RETAIN IT, THEREBY DEPRIVING GOE OF ACCESS, IN CERTAIN CIRCUMSTANCES, TO MUCH NEEDED RESOURCES. POSSIBILITY OF EXPORTER RETAINING HIS HARD CURRENCY EARNINGS FOR UP TO SIX MONTHS IS ANOTHER POTENTIAL PROBLEM IN THIS REGARD. THUS, WHILE LIBERALISM REPRESENTED BY NEW MEASURE IS TO BE COMMENDED, IT MAY NOT BE ENTIRE BENEFICIAL FOR EGYPT. THIS WILL BE PARTICULARLY TRUE IF AND WHEN COMMERCIAL MARKET IS ESTABLISHED, SINCE THE DESIRE TO OWN FOREIGN EXCHANGE COUPLED WITH EXPANDED ELIGIBILITY TO ACQUIRE IT, MAY FORCE THE POUND DOWN FARTHER THAN WOULD OTHERWISE HAVE BEEN THE CASE.

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## Message Attributes

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**Type:** TE  
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